

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
PLEASANTVILLE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Jeffrey Beier	President	2003
Thomas Adreon	Vice President	2004
Mark Thompson	Board Member	2004
Robert Johns	Board Member	2005
Troy Padellford	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Jeffrey Beier	President	2006
Thomas Adreon	Vice President	2004
Mark Thompson	Board Member	2004
Robert Johns	Board Member	2005
Troy Paddellford	Board Member	2005
<u>School Officials</u>		
David Isgrig	Superintendent	2007
Robert Friday	District Secretary/Treasurer	2004
Pay Myers	Attorney	Indefinite
Dickinson, Mackaman, Tyler & Hagen, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pleasantville Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pleasantville Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Pleasantville Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2004 on our consideration of Pleasantville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasantville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 6, 2004

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Basic Financial Statements

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 905,030	\$ 12,816	\$ 917,846
Receivables:			
Property tax:			
Current year	38,218	-	38,218
Succeeding year	1,572,000	-	1,572,000
Income surtax	203,328	-	203,328
Due from other governments	126,479	-	126,479
Inventories	-	4,543	4,543
Restricted ISCAP assets (note 5):			
Investments	988,974	-	988,974
Accrued interest receivable	2,547	-	2,547
Capital assets, net of accumulated depreciation (note 6)	4,044,372	12,696	4,057,068
Total assets	7,880,948	30,055	7,911,003
Liabilities			
Accounts payable	9,426	-	9,426
Salaries and benefits payable	416,518	-	416,518
Accrued interest payable	6,921	-	6,921
ISCAP warrants payable (note 5)	983,000	-	983,000
ISCAP accrued interest payable (note 5)	3,862	-	3,862
Deferred revenue:			
Succeeding year property tax	1,572,000	-	1,572,000
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	4,397	-	4,397
Notes payable	85,000	-	85,000
Bonds payable	140,000	-	140,000
Capital leases	34,312	-	
Portion due after one year:			
Early retirement	5,510	-	5,510
Notes payable	580,000	-	580,000
Bonds payable	725,000	-	725,000
Capital leases	18,233	-	18,233
Total liabilities	4,584,179	-	4,584,179

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,514,372	\$ 12,696	\$ 2,527,068
Restricted for:			
Management levy	134,554	-	134,554
Physical plant and equipment levy	63,483	-	63,483
Other special revenue purposes	25,001	-	25,001
Debt service	15,213	-	15,213
Unrestricted	544,146	17,359	561,505
Total net assets	\$ <u>3,296,769</u>	\$ <u>30,055</u>	\$ <u>3,326,824</u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,292,176	\$ 111,707	\$ 202,101	\$ -
Special instruction	913,667	43,656	110,693	-
Other instruction	459,607	275,010	83,469	-
	<u>3,665,450</u>	<u>430,373</u>	<u>396,263</u>	<u>-</u>
Support services:				
Student services	119,321	-	-	-
Instructional staff services	154,099	-	-	-
Administration services	459,569	-	-	-
Operation and maintenance of plant services	402,540	730	-	-
Transportation services	158,895	-	159	-
	<u>1,294,424</u>	<u>730</u>	<u>159</u>	<u>-</u>
Non-instructional programs	<u>12,282</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	130,942	-	-	25,000
Long-term debt interest and fiscal charges	65,783	-	-	-
AEA flowthrough	186,651	-	186,651	-
Depreciation (unallocated) *	101,068	-	-	-
	<u>484,444</u>	<u>-</u>	<u>186,651</u>	<u>25,000</u>
Total governmental activities	5,456,600	431,103	583,073	25,000
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>268,019</u>	<u>149,247</u>	<u>104,881</u>	<u>-</u>
Total	\$ 5,724,619	\$ 580,350	\$ 687,954	\$ 25,000

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,978,368)	\$ -	\$ (1,978,368)
(759,318)	-	(759,318)
(101,128)	-	(101,128)
(2,838,814)	-	(2,838,814)
(119,321)	-	(119,321)
(154,099)	-	(154,099)
(459,569)	-	(459,569)
(401,810)	-	(401,810)
(158,736)	-	(158,736)
(1,293,535)	-	(1,293,535)
(12,282)	-	(12,282)
(105,942)	-	(105,942)
(65,783)	-	(65,783)
-	-	-
(101,068)	-	(101,068)
(272,793)	-	(272,793)
(4,417,424)	-	(4,417,424)
-	(13,891)	(13,891)
(4,417,424)	(13,891)	(4,431,315)

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 12)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 1,335,635	\$ -	\$ 1,335,635
178,631	-	178,631
171,480	-	171,480
209,843	-	209,843
2,493,133	-	2,493,133
10,547	-	10,547
28,738	-	28,738
4,428,007	-	4,428,007
10,583	(13,891)	(3,308)
3,286,186	43,946	3,330,132
<u>\$ 3,296,769</u>	<u>\$ 30,055</u>	<u>\$ 3,326,824</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Funds</u>	<u>Funds</u>
Assets			
Cash and pooled investments	\$ 631,818	\$ 273,212	\$ 905,030
Receivables:			
Property tax:			
Current year	28,806	9,412	38,218
Succeeding year	1,196,000	376,000	1,572,000
Income surtax	203,328	-	203,328
Interfund receivable (note 3)	-	14,760	14,760
Due from other governments	101,479	25,000	126,479
Restricted ISCAP assets (note 5):			
Investments	988,974	-	988,974
Accrued interest receivable	2,547	-	2,547
	<u>3,152,952</u>	<u>698,384</u>	<u>3,851,336</u>
Total assets	\$ <u>3,152,952</u>	\$ <u>698,384</u>	\$ <u>3,851,336</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,426	\$ -	\$ 9,426
Salaries and benefits payable	416,518	-	416,518
Interfund payable (note 3)	-	14,760	14,760
ISCAP warrants payable (note 5)	983,000	-	983,000
ISCAP accrued interest payable (note 5)	3,862	-	3,862
Deferred revenue:			
Succeeding year property tax	1,196,000	376,000	1,572,000
Other	203,328	-	203,328
Total liabilities	<u>2,812,134</u>	<u>390,760</u>	<u>3,202,894</u>
Fund balance:			
Reserved for:			
Debt service	-	22,134	22,134
Unreserved:			
Reported in nonmajor Special			
Revenue Funds	-	285,490	285,490
Undesignated	340,818	-	340,818
Total fund balances	<u>340,818</u>	<u>307,624</u>	<u>648,442</u>
Total liabilities and fund balances	\$ <u>3,152,952</u>	\$ <u>698,384</u>	\$ <u>3,851,336</u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 648,442
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,044,372
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	203,328
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,921)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,592,452)</u>
Net assets of governmental activities	<u>\$ 3,296,769</u>
See notes to financial statements.	

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,477,690	\$ 412,099	\$ 1,889,789
Tuition	164,052	-	164,052
Other	48,924	278,712	327,636
State sources	2,918,647	-	2,918,647
Federal sources	135,112	25,000	160,112
Total revenues	<u>4,744,425</u>	<u>715,811</u>	<u>5,460,236</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,224,494	79,613	2,304,107
Special instruction	905,470	-	905,470
Other instruction	191,278	268,329	459,607
	<u>3,321,242</u>	<u>347,942</u>	<u>3,669,184</u>
Support services:			
Student services	119,321	-	119,321
Instructional staff services	154,099	-	154,099
Administration services	459,203	-	459,203
Operation and maintenance of plant services	405,369	-	405,369
Transportation services	135,203	-	135,203
Central and other support services	12,055	-	12,055
	<u>1,285,250</u>	<u>-</u>	<u>1,285,250</u>
Non-instructional programs	<u>227</u>	<u>-</u>	<u>227</u>
Other expenditures:			
Facilities acquisition	-	332,757	332,757
Long term debt:			
Principal	-	220,000	220,000
Interest and fiscal charges	-	64,930	64,930
AEA flowthrough	186,651	-	186,651
	<u>186,651</u>	<u>617,687</u>	<u>804,338</u>
Total expenditures	<u>4,793,370</u>	<u>965,629</u>	<u>5,758,999</u>
Deficiency of revenues under expenditures	<u>(48,945)</u>	<u>(249,818)</u>	<u>(298,763)</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 1,147	\$ -	\$ 1,147
Interfund transfers in (note 4)	-	105,913	105,913
Interfund transfers out (note 4)	-	(105,913)	(105,913)
Capital lease proceeds	54,778	-	54,778
Total other financing sources (uses)	<u>55,925</u>	<u>-</u>	<u>55,925</u>
Net change in fund balances	6,980	(249,818)	(242,838)
Fund balances beginning of year	<u>333,838</u>	<u>557,442</u>	<u>891,280</u>
Fund balances end of year	<u>\$ 340,818</u>	<u>\$ 307,624</u>	<u>\$ 648,442</u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (242,838)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	199,689	
Depreciation expense		<u>(161,644)</u>	38,045

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 5,800

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 255,341

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (853)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 9,866

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (54,778)

Change in net assets of governmental activities \$ 10,583

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 12,816
Inventories	4,543
Capital assets, net of accumulated depreciation	<u>12,696</u>
Total assets	<u>30,055</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	12,696
Unrestricted	<u>17,359</u>
Total net assets	<u>\$ 30,055</u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>149,247</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	72,022
Benefits	17,880
Purchased services	725
Supplies	175,395
Depreciation	<u>1,997</u>
	<u>268,019</u>
Operating loss	<u>(118,772)</u>
Non-operating revenues:	
State sources	3,989
Federal sources	<u>100,892</u>
Total non-operating revenues	<u>104,881</u>
Change in net assets	(13,891)
Net assets beginning of year	<u>43,946</u>
Net assets end of year	\$ <u><u>30,055</u></u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 145,377
Cash received from miscellaneous operating activities	3,870
Cash payments to employees for services	(91,306)
Cash payments to suppliers for goods or services	<u>(158,740)</u>
Net cash used in operating activities	<u>(100,799)</u>
Cash flows from non-capital financing activities:	
State grants received	3,989
Federal grants received	<u>85,778</u>
Net cash provided by non-capital financing activities	<u>89,767</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,722)</u>
Net decrease in cash and cash equivalents	(13,754)
Cash and cash equivalents beginning of year	<u>26,570</u>
Cash and cash equivalents end of year	\$ <u><u>12,816</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (118,772)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,997
Commodities used	15,114
Decrease in inventories	2,266
(Decrease) in salaries and benefits payable	<u>(1,404)</u>
Net cash used in operating activities	\$ <u><u>(100,799)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$15,114 of federal commodities.	

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>4,004</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>4,004</u></u>
See notes to financial statements.	

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>171</u>
Deductions:	
None	<u>-</u>
Change in net assets	171
Net assets beginning of year	<u>3,833</u>
Net assets end of year	\$ <u><u>4,004</u></u>

See notes to financial statements.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Pleasantville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Pleasantville, Iowa, and agricultural territory in Marion and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pleasantville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Pleasantville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,500

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3. Interfund Receivable/Payable

A summary of interfund receivables and payables is as follows:

Amounts due to other receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	Special Revenue Fund, Management Levy	\$ <u>14,760</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>105,913</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/2004	1/28/2005	\$ 468,167	\$ 2,512	\$ 465,000	\$ 3,819
2004-05A	6/30/2004	6/30/2005	520,807	35	518,000	43
Total			\$ <u>988,974</u>	\$ <u>2,547</u>	\$ <u>983,000</u>	\$ <u>3,862</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04B	2.000%	1.0501%
2004-05A	2.000%	1.3100%

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Construction in progress	-	115,146	115,146	-
Total capital assets not being depreciated	27,000	115,146	115,146	27,000
Capital assets being depreciated:				
Buildings *	5,019,809	115,146	-	5,134,955
Improvements other than buildings *	279,907	-	-	279,907
Furniture and equipment *	1,279,511	84,543	27,500	1,336,554
Total capital assets being depreciated	6,579,227	199,689	27,500	6,751,416
Less accumulated depreciation for:				
Buildings	1,285,262	99,746	-	1,385,008
Improvements other than buildings	269,286	1,322	-	270,608
Furniture and equipment	1,045,352	60,576	27,500	1,078,428
Total accumulated depreciation	2,599,900	161,644	27,500	2,734,044
Total capital assets being depreciated, net	3,979,327	38,045	-	4,017,372
Governmental activities capital assets, net	\$ 4,006,327	\$ 153,191	\$ 115,146	\$ 4,044,372

* = The District initiated new capitalization levels of \$1,500 for all assets. The capital asset listing was updated to reflect this change and to reflect classification changes to more accurately reflect all amounts in preparation for implementation of Governmental Accounting Standards Board Statement number 34 for the year ended June 30, 2004. The beginning balances of assets have been restated to reflect these changes. The balance of buildings was increased by \$35,678. This includes \$32,611 of items previously capitalized as land improvements and a one-time adjustment of \$3,067 to more accurately reflect District records. The beginning balance of land improvements was reduced by \$32,611 for items previous recorded as land improvements but more properly classified as building improvements. The beginning balance of equipment was reduced by \$494,845 of items costing less than the capitalization level of \$1,500.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 23,342	\$ 2,722	\$ -	\$ 26,064
Less accumulated depreciation	11,371	1,997	-	13,368
Business-type activities capital assets, net	<u>\$ 11,971</u>	<u>\$ 725</u>	<u>\$ -</u>	<u>\$ 12,696</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 20,859

Special

8,197

Support services:

Administration

4,157

Operation and maintenance of plant services

3,671

Transportation

23,692

60,576

Unallocated depreciation

101,068

Total governmental activities depreciation expense

\$ 161,644

Business-type activities:

Food service operations

\$ 1,997

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Early Retirement	Capital Loan Note	General Obligation Bonds	Capital Leases	Total
Balance beginning of year	\$ 19,773	\$ 750,000	\$ 1,000,000	\$ 33,108	\$ 1,802,881
Additions	-	-	-	54,778	54,778
Reductions	9,866	85,000	135,000	35,341	265,207
Balance end of year	<u>\$ 9,907</u>	<u>\$ 665,000</u>	<u>\$ 865,000</u>	<u>\$ 52,545</u>	<u>\$ 1,592,452</u>
Due within one year	<u>\$ 4,397</u>	<u>\$ 85,000</u>	<u>\$ 140,000</u>	<u>\$ 34,312</u>	<u>\$ 263,709</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of fifty-five and sixty and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference between the employee's current salary and the base salary schedule, less any other additional pay or supplemental pay. The retired employee may also continue participation in the District's health insurance group at the employee's own expense. The District paid \$9,866 in early retirement benefits during the year ended June 30, 2004. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Details of the District's June 30, 2004 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2005	2.05 %	\$ 85,000	\$ 19,168
2006	2.35	90,000	17,425
2007	2.65	90,000	15,310
2008	2.95	95,000	12,925
2009	3.20	100,000	10,122
2010	3.30	100,000	6,923
2011	3.45	105,000	3,622
Total		<u>\$ 665,000</u>	<u>\$ 85,495</u>

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2005	4.300 %	\$ 140,000	\$ 37,960
2006	4.300	150,000	31,940
2007	4.350	150,000	25,490
2008	4.400	160,000	18,965
2009	4.500	165,000	11,925
2010	4.500	100,000	4,500
Total		<u>\$ 865,000</u>	<u>\$ 130,780</u>

Capital Lease

On March 25, 2003, the District entered into a lease purchase agreement for computer equipment. The original amount of the lease was \$51,817 and calls for three annual payments of \$18,709 with an effective annual finance cost of 7.6%.

On August 5, 2003, the District entered into a capital lease agreement for computer equipment. The original amount of the lease was \$54,778 and calls for three annual payments of \$19,467 with an effective annual finance cost of 6.1%.

Details of the District's June 30, 2004 capital lease obligations are as follows:

Year Ending June 30,	Lease Dated March 25, 2003	Lease Dated August 5, 2003	Total
2005	\$ 18,709	\$ 19,467	\$ 38,176
2006	-	19,467	19,467
	18,709	38,934	57,643
Less: Amount representing interest	(1,475)	(3,623)	(5,098)
	<u>\$ 17,234</u>	<u>\$ 35,311</u>	<u>\$ 52,545</u>

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$174,223, \$167,972, and \$166,919 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Pleasantville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$186,651 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Subsequent Events

The District entered into a \$37,500 real estate contract for the purchase of land during July, 2004. The terms of the contract call for an initial payment of \$7,500, with five subsequent annual payments of \$6,000.

Note 12. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District's programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 12. Accounting Change (continued)

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ <u>333,838</u>	\$ <u>557,442</u>	\$ 891,280
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,599,900			4,006,327
Long-term liabilities:			
Bonds and notes		1,750,000	
Early retirement		19,773	
Capital leases		<u>33,108</u>	(1,802,881)
Accrued interest payable			(6,068)
Deferred revenue			<u>197,528</u>
Net assets, July 1, 2003, as restated			\$ <u>3,286,186</u>

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Required Supplementary Information

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 2,366,035	\$ 149,247	\$ 2,515,282	\$ 2,588,121	\$ (72,839)
State sources	2,941,399	3,989	2,945,388	3,163,327	(217,939)
Federal sources	113,833	100,892	214,725	170,000	44,725
Total receipts	5,421,267	254,128	5,675,395	5,921,448	(246,053)
DISBURSEMENTS:					
Instruction	3,664,338	-	3,664,338	4,408,674	(744,336)
Support services	1,323,287	-	1,323,287	1,731,377	(408,090)
Non-instructional programs	34,953	267,882	302,835	405,035	(102,200)
Other expenditures	804,338	-	804,338	486,572	317,766
Total disbursements	5,826,916	267,882	6,094,798	7,031,658	(936,860)
Excess (deficiency) of receipts over (under) disbursements	(405,649)	(13,754)	(419,403)	(1,110,210)	690,807
Other financing sources, net	55,925	-	55,925	-	55,925
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(349,724)	(13,754)	(363,478)	(1,110,210)	746,732
Balance beginning of year	1,254,754	26,570	1,281,324	1,275,344	5,980
Balance end of year	\$ 905,030	\$ 12,816	\$ 917,846	\$ 165,134	\$ 752,712

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,421,267	\$ 38,969	\$ 5,460,236
Expenditures	5,826,916	(67,917)	5,758,999
Net	(405,649)	106,886	(298,763)
Other financing sources (uses)	55,925	-	55,925
Beginning fund balances	1,254,754	(363,474)	891,280
Ending fund balances	<u>\$ 905,030</u>	<u>\$ (256,588)</u>	<u>\$ 648,442</u>
	Proprietary Fund		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 254,128	\$ -	\$ 254,128
Expenses	267,882	137	268,019
Net	(13,754)	(137)	(13,891)
Beginning net assets	26,570	17,376	43,946
Ending net assets	<u>\$ 12,816</u>	<u>\$ 17,239</u>	<u>\$ 30,055</u>

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the budget during the year ended June 30, 2004.

During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

Other Supplementary Information

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 157,814	\$ 25,001	\$ 87,093	\$ 3,304	\$ 273,212
Receivables:					
Property tax:					
Current year	1,407	-	3,935	4,070	9,412
Succeeding year	68,000	-	147,000	161,000	376,000
Interfund receivable	-	-	-	14,760	14,760
Due from other governments	-	-	25,000	-	25,000
Total assets	\$ 227,221	\$ 25,001	\$ 263,028	\$ 183,134	\$ 698,384
Liabilities and Fund Equity					
Liabilities:					
Interfund payable	\$ 14,760	\$ -	\$ -	\$ -	\$ 14,760
Deferred revenue:					
Succeeding year property tax	68,000	-	147,000	161,000	376,000
Total liabilities	82,760	-	147,000	161,000	390,760
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	22,134	22,134
Unreserved:					
Undesignated	144,461	25,001	116,028	-	285,490
Total fund equity	144,461	25,001	116,028	22,134	307,624
Total liabilities and fund equity	\$ 227,221	\$ 25,001	\$ 263,028	\$ 183,134	\$ 698,384

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 61,988	\$ -	\$ 171,480	\$ 178,631	\$ 412,099
Other	1,224	275,333	1,796	359	278,712
Federal sources	-	-	25,000	-	25,000
Total revenues	63,212	275,333	198,276	178,990	715,811
Expenditures:					
Current:					
Instruction:					
Regular instruction	79,613	-	-	-	79,613
Other instruction	-	268,329	-	-	268,329
Other expenditures:					
Facilities acquisition	-	-	332,757	-	332,757
Long term debt:					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	64,930	64,930
Total expenditures	79,613	268,329	332,757	284,930	965,629
Excess (deficiency) of revenues over (under) expenditures	(16,401)	7,004	(134,481)	(105,940)	(249,818)
Other financing sources (uses):					
Interfund transfers in	-	-	-	105,913	105,913
Interfund transfers out	-	-	(105,913)	-	(105,913)
Total other financing sources (uses)	-	-	(105,913)	105,913	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(16,401)	7,004	(240,394)	\$ (27)	\$ (249,818)
Fund balances beginning of year	160,862	17,997	356,422	22,161	557,442
Fund balances end of year	\$ 144,461	\$ 25,001	\$ 116,028	\$ 22,134	\$ 307,624

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Book Fair	\$ 1,409	\$ 7,019	\$ 6,108	\$ 2,320
Elementary Fundraiser	11,952	24,787	19,661	17,078
Special Trips	7,323	4,294	4,339	7,278
Library Club	314	2,363	2,490	187
Industrial Arts club	(3,368)	4,591	5,221	(3,998)
Vocal	296	4,131	1,007	3,420
Elementary Band	(2,297)	1,545	2,026	(2,778)
Athletic Resale	(3,287)	-	-	(3,287)
Vocational Agriculture Club	(4,660)	3,462	4,932	(6,130)
HS Band	(1,382)	3,076	3,027	(1,333)
Drill Team	301	1,933	4,384	(2,150)
Athletics - Summer Program	(327)	-	-	(327)
Athletics - Summer Program	(9,379)	61,445	61,369	(9,303)
Activity Concessions	13,120	17,574	17,917	12,777
North	1,565	1,968	1,874	1,659
High School Lounge	3,081	1,236	3,945	372
Yearbook	(23,188)	7,087	10,950	(27,051)
Clubs:				
E. Student Council	314	-	-	314
JH Student Council	377	4,977	3,091	2,263
Student Council	3,752	7,554	9,670	1,636
Future Farmers of America	3,113	30,472	28,119	5,466
National Honor Society	1,064	752	1,051	765
Future Business Leaders	453	180	87	546
Cheerleaders	(812)	11,784	10,806	166
Spanish	1,935	1,785	898	2,822
Science	30	80	77	33
Rifle Club	(36)	290	298	(44)
Economic Club	221	-	221	-
Student Activities:				
Postage	91	-	-	91
Class of:				
2000	398	-	-	398
2001	181	-	-	181
2002	494	-	-	494
2003	8	-	-	8
2004	122	2,255	1,945	432
2005	244	3,788	3,397	635
2006	(15)	460	96	349
2007	(16)	-	-	(16)
2008	14	-	-	14

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
D.C. Trip	\$ 4,901	\$ 49,240	\$ 50,415	\$ 3,726
TAG	192	735	-	927
Band/Vocal/Art Confederation	3	-	-	3
Home Ec	799	787	755	831
Art/Photo	1,886	1,498	1,142	2,242
Savings	7,976	338	-	8,314
Community Service	(1,693)	-	-	(1,693)
Plays	738	4,065	2,054	2,749
Social Studies	(210)	-	-	(210)
Community Resources	-	2,265	1,431	834
Student Council Resale - Trojan Track	-	3,387	2,877	510
High Fundraising	-	2,130	649	1,481
Total	\$ 17,997	\$ 275,333	\$ 268,329	\$ 25,001

See accompanying independent auditor's report.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,889,789	\$ 1,862,612	\$ 1,827,897	\$ 1,627,537
Tuition	164,052	155,116	146,699	137,094
Other	327,636	414,170	382,386	496,725
State sources	2,918,647	3,067,690	3,889,054	3,071,806
Federal sources	160,112	82,734	92,365	126,219
Total revenues	<u>\$ 5,460,236</u>	<u>\$ 5,582,322</u>	<u>\$ 6,338,401</u>	<u>\$ 5,459,381</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,304,107	\$ 2,399,545	\$ 2,359,605	\$ 2,363,564
Special instruction	905,470	679,491	755,498	589,122
Other instruction	459,607	524,948	538,626	556,403
Support services:				
Student services	119,321	121,708	130,695	130,011
Instructional staff services	154,099	127,368	120,164	167,319
Administration services	459,203	427,568	440,199	413,525
Operation and maintenance of plant services	405,369	415,469	357,297	387,244
Transportation services	135,203	156,861	191,055	157,415
Central and other support services	12,055	-	-	-
Non-instructional programs	227	44,944	33,874	33,303
Other expenditures:				
Facilities acquisition	332,757	1,891,319	218,040	102,943
Long-term debt:				
Principal	220,000	130,000	125,000	95,000
Interest and fiscal charges	64,930	63,499	54,647	142,649
AEA flowthrough	186,651	197,604	196,418	202,703
Total expenditures	<u>\$ 5,758,999</u>	<u>\$ 7,180,324</u>	<u>\$ 5,521,118</u>	<u>\$ 5,341,201</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Pleasantville Community School District:

We have audited the financial statements of Pleasantville Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pleasantville Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Pleasantville Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-B-04, II-J-04, and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pleasantville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-B-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04, I-C-04, I-D-04 and I-E-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pleasantville Community School District and other parties to whom Pleasantville Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pleasantville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 6, 2004

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

- I-A-04 Disbursement Approval – We noted that the Board did not approve two General Fund disbursements (of 24 tested) and three School Nutrition Fund disbursements (of five tested).

Recommendation – Chapter 279.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the board has taken action of the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.” Therefore, all claims for all funds should be examined, approved and listings initialed by the Board prior to any disbursements, and all amounts provided to the Board should be accurate.

Response – We will approve all disbursements for all funds as required.

Conclusion – Response acknowledged. We would like to stress the importance of this function of the Board as a supervisory body. This step serves as one of the best protections a school district has against any possible irregularities and the Board should review all claims and furnish evidence of that review.

Reportable Conditions:

- I-B-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal, check signing, payroll preparations, and bank reconciliations were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-C-04 Financial Condition – At June 30, 2004, the Student Activity Fund had several accounts with deficit balances.

Recommendation – The District should continue to monitor the Student Activity accounts and investigate alternatives to eliminate the remaining deficits.

Response – We are working on this. We plan to continue improving the situation.

Conclusion – Response accepted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-D-04 Support Documentation – We noted five of eleven receipts specifically tested, in the General Fund, which had no supporting documentation as to date received, dollar amount, and purpose, other than a bank deposit slip. We also noted two disbursements of forty tested that had no supporting documentation or lacked full documentation, such as invoices or receipts.

Recommendation – The District should require all receipts be properly supported as to when received, the dollar amount, and the purpose behind the receipt to protect the underlying asset and insure timely and accurate recording of revenues. The District also should require full supporting documentation before making any disbursements or obtain and document Board approval to make a payment with the understanding the necessary documentation will be subsequently provided.

Response – We will consider these suggestions and will change our receipt and disbursement procedures so that all support documentation is retained and documented.

Conclusion – Response accepted.

- I-E-04 Coding Error – We noted one Federal grant that was coded to miscellaneous local revenue when receipted by the District. We also noted that tuition paid by local residents was coded as a state revenue. The expenditures related to two Federal grants were not assigned federal program codes.

Recommendation – All State and Federal grants should be assigned a specific program code (usually assigned by the State) to track the revenue and expenditures through the District's financial system to determine compliance with grant requirements. The District should properly assign this program number to all grant revenues and expenditures in the future.

Response – We will use the proper program numbers in the future to facilitate the tracking of grant revenues and expenditures.

Conclusion – Response accepted.

- I-F-04 Untimely Deposits – We noted two receipts that were not timely deposited by the District. The time elapsed between actual receipt and deposit ranged from thirteen to eighteen days.

Recommendation – All receipts should be timely deposited within, at most, one week of the date of receipt. The District would therefore maximize interest earnings and better protect the underlying asset.

Response – We will examine the procedures we use for making deposits and we will make the necessary changes to insure timely deposits.

Conclusion – Response accepted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-G-04 Fundraiser Support – We noted that the District requires no reconciliations to be completed for fundraising activities.

Recommendation – The District should require all sponsors or supervisors to complete a reconciliation of any fundraising activity. The reconciliation should match total sales to receipts and deposits, compare items purchased to items sold, and calculate the profit ratio for the activity.

Response – We will compile a reconciliation worksheet and will require this reconciliation to be completed and reviewed in the future.

Conclusion – Response accepted.

- I-H-04 Payroll Support – We noted that the salary for one employee was modified subsequent to the approval of the employee's contract but the District could not support the change. We also noted one key employee who has no existing contract with the District.

Recommendation – All changes to approved contracts should be approved by the Board and documented in the minutes and in the employee's records. All District personnel should have an approved contract for employment.

Response – The lack of documentation for the salary change was an oversight this year. We will maintain proper documentation for all future changes and we will require all employees to have an approved contract.

Conclusion – Response accepted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – We noted one expenditure that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The District purchased flowers for an illness and a funeral.

Recommendation – The District has no policy covering this type of expenditure. Such a policy should be adopted by the District and include any dollar limits, personnel or students covered, and insure that the policy is non-discriminatory.

Response – We will research such a policy and will adopt this policy as necessary.

Conclusion – Response accepted.

I-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

I-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes – Except as previously discussed in item I-A-04, no transactions requiring Board approval which had not been approved by the Board were noted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-04 Certified Annual Report – The Certified Annual Report was not timely filed with the Department of Education and we noted some material differences in the balance sheet and income statement areas.

Recommendation – The District should contact the Department of Education to determine how to correct this situation.

Response – We will contact the Department of Education and resolve the situation.

Conclusion – Response accepted.

- II-K-04 Interfund Payable – At June 30, 2004 an interfund payable in the Management Fund had not been repaid to the Debt Service Fund. The payable was the result of an incorrect posting of property tax in the year ended June 30, 2002.

Recommendation – The District's Management Fund should transfer the property tax received to the Debt Service Fund.

Response – We will make the transfer.

Conclusion – Response accepted.

- II-L-04 Sales Tax Reimbursement – We noted that the District had not applied for a sales tax refund for any sales taxes paid on the District's completed construction projects.

Recommendation – The District should prepare the necessary form for submission to the State of Iowa and obtain a refund for the sales taxes paid on the completed construction project.

Response – We are in the process now of contacting the project manager to obtain the necessary information and complete the required request for sales tax reimbursement.

Conclusion – Response accepted.

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